

Shareholders ruffle Qwest meeting

Retirees upset over benefit cuts, executive pay

By Jeff Smith, Rocky Mountain News
May 24, 2007

Qwest's annual stockholders meeting should have been a love fest Wednesday.

After all, the Denver telco posted a \$593 million profit in 2006. The stock price soared 48 percent and is up 20 percent this year. Customer service marks are at record highs.

And the 100 or so stockholders in attendance warmly applauded when CEO Dick Notebaert introduced seven network employees from Colorado, Arizona, New Mexico and Minnesota who helped rescue fire victims, stranded motorists and co-workers during the year.

But the 90-minute meeting at the Grand Hyatt Hotel in downtown Denver turned tense.

While stockholders congratulated Notebaert & Co. for the strong performance and while each shareholder proposal was defeated by at least a two-thirds majority, many at the meeting voiced deep unhappiness about retiree benefit cuts and what they see as excessive executive pay.

The meeting was preceded by a protest by about a dozen retirees and shareholder advocates who held placards urging more shareholder say over "runaway CEO pay." The lead shareholder advocate, Scott Adams of the American Federation of State, County and Municipal Employees wore a chicken suit to symbolize U.S. companies running away from accountability.

To be sure, Notebaert - who made nearly \$25 million last year including stock sales - is caught up in a larger, national issue, with Qwest just one of many companies criticized.

Some of the discontent, particularly from retirees upset over lower life-insurance benefits and healthcare caps, was expected. Still, the amount of discord seemed remarkable in contrast with Qwest's solid results. Just this week, Qwest's stock price stormed through the \$10 barrier for the first time since March 6, 2002.

One female stockholder complained to Notebaert that he gets paid more in one year "than any of us will see in a lifetime," and asked if he believed in his heart that he is doing the right thing for retirees.

"I think I'm doing the right thing," Notebaert answered.

Earlier, he said he couldn't comment about the life insurance issue because it's in litigation.

Notebaert said he gave all proceeds from his \$18 million of stock sales last year to charity. But that didn't seem to placate the upset stockholders.

At another juncture, Notebaert was asked why he didn't respond to any of the 1,500 letters and e-mails from retirees.

Notebaert said he read every message and responded to one early on, only to see his answer put on an Internet blog and "made fun of and mocked." He said he didn't answer any more because he wasn't given the same respect he gave the retiree.

(The Association of U S West Retirees confirmed that Notebaert's e-mail response to the group's president, Mimi Hull, last November was distributed on the group's e-mail network, with the heading "To all, for what it's worth, here is Mr. Heart of Gold's reply to my letter."

But Curtis Kennedy, attorney for the group, noted that all Notebaert wrote to Hull was that "we missed you," referring to the meeting when he announced the benefit cuts. "His response completely ignored the letter and message," Kennedy said.)

Another stockholder Wednesday accused Notebaert of being flip when he shot down her suggestion to spend some of his compensation on keeping retiree life insurance benefits intact.

"I feel you're making light of this," said Linda Baggus, a high school English teacher. "I feel you make obscene amounts of money. . . . How is the service that you render so much more valuable than the service I render?"

Notebaert said his pay is linked to performance and reflects a "very competitive market. Different jobs get different pay rates."

Mary Ann Neuman, a member of the Pioneers volunteer group in Minnesota, said she's found that retirees don't have the same motivation to help Qwest now that their benefits have been cut.

Notebaert became terser as questions covered the same ground. In his concluding remarks, he said: "This is a great country, where we can gather to agree and disagree."

Shareholder proposals defeated:

82 percent voted against a policy that would link at least 75 percent of executive stock compensation to performance.

67 percent voted against giving stockholders an advisory say on executive compensation. (20 percent voted for and 14 percent abstained).

68 percent voted against a proposal that would give stockholders the right to approve supplemental executive retirement benefits.

82 percent voted against separating the chairman and chief executive posts.

Qwest

Q: NYSE

\$10.06

+ 6 cents

smithje@RockyMountainNews.com or 303-954-5155

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